

Small Business
TIMBER COALITION
Washington D.C. Packet

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Timber Products Manufacturers
— A S S O C I A T I O N —

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**Briefing Paper for
Under Secretary Robert Bonnie
Coeur d'Alene, ID
March 25, 2014**

I. Use of Stewardship Contracting Continues to Grow.

Forest Service Percent Stewardship sales vs. total sawtimber sold 2004 - 2013

Year (FY)	R-1	R-2	R-3	R-4	R-5	R-6	R-8	R-9	R-10	ALL FS
2004	4%	5%	51%	12%	11%	4%	0%	0%	0%	5%
2005	5%	7%	23%	13%	6%	8%	1%	1%	1%	5%
2006	25%	10%	26%	22%	11%	14%	5%	5%	5%	9%
2007	33%	8%	49%	14%	23%	19%	7%	6%	2%	15%
2008	35%	17%	49%	17%	13%	19%	13%	7%	0%	14%
2009	21%	19%	72%	27%	23%	19%	13%	7%	0%	17%
2010	31%	36%	56%	64%	30%	28%	9%	14%	0%	23%
2011	29%	21%	59%	47%	22%	23%	11%	13%	90%	21%
2012	28%	18%	58%	42%	47%	34%	18%	16%	96%	28%
2013	32%	19%	83%	69%	33%	38%	19%	16%	0%	31%

Data Source: Timber Data Company Eugene Oregon from Forest Service Timber Sale and Stewardship Sale records.

- II. The Shift on Some National Forests to Predominantly Stewardship leaves Small Business Manufacturers and Non-Manufacturers unprotected. If there is little or no Commercial Timber Sale Program on a Forest there is no SBA Set-Aside Program. Counting the IRTC Volume from Stewardship does nothing to help Small Business if there are few if any commercial timber sales offered to fulfill the SBA share in a market area.

FY 2012 and FY 2013 Percent Stewardship vs Regular Commercial Timber Sale Volume USFS					
<i>national forest</i>	<i>stew Mbf</i>	<i>stew%</i>	<i>national forest</i>	<i>Stew MMBf</i>	<i>Stew %</i>
Beaverhead-Deerlodge		0%	Beaverhead-Deerlodge	0.0	0.0%
Bitterroot		0%	Bitterroot	4.7	97.8%
Panhandle	15,046	41%	Panhandle	0.0	0.0%
Clearwater	12,613	79%	Clearwater	23.8	94.3%
Custer		0%	Custer	0.0	0.0%
Flathead	6,418	43%	Flathead	0.8	7.5%
Gallatin		0%	Gallatin	0.0	0.0%
Helena		0%	Helena	0.0	0.0%
Kootenai		0%	Kootenai	6.9	21.6%
Lewis & Clark		0%	Lewis & Clark	0.0	0.0%
Lolo		0%	Lolo	0.0	0.0%
Nez Perce	6,909	100%	Nez Perce	0.0	0.0%
Bighorn		0%	Bighorn	0.0	0.0%
Black Hills		0%	Black Hills	2.9	3.4%
Arapaho-Roosevelt	8,993	47%	Arapaho/Roosevelt	6.3	55.3%
GMUG	2,005	12%	GMUG	0.5	2.8%
MedBow-Routt	7,867	46%	Medicine Bow-Routt	7.9	25.1%
Rio Grande		0%	Rio Grande	0.0	0.0%
Pike-San Isabel	3,505	90%	Pike/San Isabel	2.3	45.0%
San Juan	4,288	97%	San Juan	2.7	40.1%
Shoshone		0%	Shoshone	0.0	0.0%
White River	8,065	57%	White River	16.8	57.1%
Apache-Sitgreaves	9,936	67%	Apache/Sitgreaves	33.5	92.5%
Carson		0%	Carson	0.0	0.0%
Cibola	5,018	79%	Cibola	6.1	93.5%
Coconino	3,673	100%	Coconino	41.8	78.3%
Coronado		0%	Coronado	0.0	0.0%
Gila		0%	Gila	0.0	0.0%
Kaibab		0%	Kaibab	19.8	91.2%
Lincoln		0%	Lincoln	0.0	0.0%
Prescott		0%	Prescott	2.7	100.0%

Santa Fe		0%	Santa Fe	0.5	41.1%
<i>national forest</i>	<i>stew Mbf</i>	<i>stew%</i>	<i>national forest</i>	<i>Stew MMBf</i>	<i>Stew %</i>
Tonto		0%	Tonto	3.0	52.0%
Ashley		0%	Ashley	0.0	0.0%
Boise		0%	Boise	24.6	88.1%
Bridger-Teton		0%	Bridger-Teton	0.0	0.0%
Dixie	4,207	56%	Dixie	8.7	75.5%
Fishlake	2,610	100%	Fishlake	0.0	0.0%
Manti-Lasal	1,087	100%	Manti-Lasal	0.0	0.0%
Payette	14,273	100%	Payette	12.1	99.8%
Salmon-Challis		0%	Salmon-Challis	3.4	66.6%
Sawtooth		0%	Sawtooth	0.0	0.0%
Caribou-Targhee		0%	Caribou-Targhee	0.0	0.0%
Humbolt-Toiyabe		0%	Humbolt-Toiyabe	0.0	0.0%
Unita-Wasatch-Cache		0%	Unita-Wasatch-Cache	0.3	6.4%
Eldorado	11,087	84%	Eldorado	25.4	97.4%
Inyo	2,572	70%	Inyo	0.0	0.0%
Klamath	8,726	35%	Klamath	5.6	22.9%
Lassen		0%	Lassen	0.1	0.1%
Mendocino	201	5%	Mendocino	8.0	68.0%
Modoc		0%	Modoc	0.0	0.0%
Six Rivers		0%	Six Rivers	16.2	99.7%
Plumas	6,725	27%	Plumas	2.1	4.5%
Sequoia		0%	Sequoia	4.0	98.7%
Shasta-Trinity	26,996	68%	Shasta-Trinity	0.9	12.8%
Sierra	10,882	66%	Sierra	1.3	8.9%
Stanislaus	28,355	97%	Stanislaus	0.0	0.0%
Tahoe	6,925	37%	Tahoe	11.4	71.2%
Tahoe Basin		0%	Tahoe Basin	0.0	0.0%
Deschutes	21,206	46%	Deschutes	15.8	29.7%
Fremont-Winema	32,164	56%	Fremont-Winema	23.6	93.4%
Gifford Pinchot	29,857	99%	Gifford Pinchot	23.7	77.8%
Malheur	9,802	39%	Malheur	35.0	76.5%
		0%	Mt Baker-Snoqualmie	0.0	0.0%
Mt Hood	19,457	57%	Mt Hood	31.9	100.0%
Ochoco		0%	Ochoco	2.1	16.7%
Olympic		0%	Olympic	0.0	0.0%
Rogue River-Siskiyou	598	2%	Rogue River-Siskiyou	0.0	0.0%
Siuslaw	16,843	44%	Siuslaw	22.1	56.7%
Umatilla	3,423	16%	Umatilla	2.8	10.9%
Umpqua		0%	Umpqua	1.7	6.1%

Wallowa-Whitman	1,418	12%	Wallowa-Whitman	7.4	22.0%
national forest	stew		national forest	Stew	Stew
	Mbf	stew%		MMBf	%
Okanogan-Wenatchee	15,640	49%	Okanogan-Wenatchee	0.0	0.0%
Willamette		0%	Willamette	0.0	0.0%
Colville	24,807	100%	Colville	35.7	87.0%
Alabama	12,299	30%	Alabama NFs	9.0	22.8%
Daniel Boone		0%	Daniel Boone	0.0	0.0%
Chattahoochee-Oconee	3,647	18%	Chatta-Oconee	13.8	72.8%
Cherokee	2,917	0%	Cherokee	0.0	0.0%
Florida	12,874	32%	Florida NFs	14.1	45.7%
Kisatchie	9,525	14%	Kisatchee	0.0	0.0%
Mississippi	4,693	7%	Mississippi NFs	5.7	10.3%
Geo Washington-Jefferson	1,871	14%	Geo Washington-Jefferson	0.0	0.0%
Ouachita	13,260	16%	Ouachita	0.0	0.0%
Ozark-St Francis	5,671	10%	Ozark-St Francis	17.1	33.3%
North Carolina	2,184	11%	No Carolina NFs	1.8	12.2%
Francis Marion-Sumter	5,421	8%	Francis Marion-Sumter	0.0	0.0%
Texas	15,937	54%	Texas NFs	28.6	85.3%
Between The Lakes	1,319	37%	BetweenLakes	0.0	0.0%
Chippewa		0%	Chippewa	4.2	8.8%
Huron-Manistee	9,716	24%	Huron-Manistee	8.7	24.1%
Mark Twain	5,999	16%	Mark Twain	9.4	20.7%
Ottawa	13,247	24%	Ottawa	9.9	17.9%
Shawnee		0%	Shawnee	0.0	0.0%
Superior	15,275	27%	Superior	1.2	2.7%
Hiawatha	3,463	8%	Hiawatha	5.3	12.5%
Hoosier		0%	Hoosier	0.0	0.0%
Chequamegon-Nicolet	3,484	5%	Chequamegon-Nicolet	4.7	7.7%
Wayne		0%	Wayne	0.0	0.0%
Allegheny	5,671	18%	Allegheny	9.1	32.5%
Green Mountain	2,178	47%	Green Mountain	4.8	100.0%
Monongahela	1,340	16%	Monogahela	0.0	0.0%
White Mountain	5,910	42%	White Mountain	4.0	37.5%
Chugach		0%	Chugach	0.0	0.0%
Tongass	39,656	96%	Tongass	0.0	0.0%

Forest with over 45% of volume sold in Stewardship Contracts Highlighted in Yellow
Data Source - Timber Data Company Eugene, OR

- III.** Given growth in Stewardship Contracting and the increasing use of IRSC (and other Stewardship Contract types) opens a huge loop-hole even if the Forest Service agrees to count IRTC Stewardship Volume in the SBA Timber Sale Set-Aside Program. The new SBA/Stewardship Rule Making needs to set up an SBA Set-aside program for all stewardship contracts. You can't just count the volume and hope small business can survive.

FY 2013 Forest Service Volume Sold by Contract Type

Contract Form	Saw Mbf	Nonsaw Mbf	Total Mbf	% of Total
Decks	41.70%	58.30%	3,735	0.20%
Short Form	55.10%	58.30%	24,277	1.10%
Permits	52.10%	47.90%	20,658	1.00%
Standard 2400-6 & 4	67.40%	32.60%	1,453,159	67.10%
IRTC Stewardship	77.80%	22.20%	431,649	20.00%
Agreement Stewardship	56.30%	43.70%	28,416	1.30%
IRSC Stewardship	79.40%	20.60%	148,798	6.90%
CSC Stewardship	45.10%	54.90%	51,659	2.40%
Total Volume			2,162,351	100.00%

Data Source: Timber Data Company Eugene, OR



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The Honorable Howard Shelanski
Administrator
Office of Information and Regulatory Affairs
Eisenhower Executive Office Building, Room 262
1650 Pennsylvania Avenue NW
Washington, DC 20503

Dear Administrator Shelanski:

On behalf of the TPM Small Business Timber Coalition (SBTC), we submit this correspondence in response to Public Timber Purchasers Group's (PTPG) letter dated January 13, 2014. In that letter, PTPG urges you to delay an upcoming draft rulemaking from the Small Business Administration (SBA) concerning an SBA set-aside program to be implemented in Stewardship Contracting, which was permanently re-authorized upon the Farm Bill's passage in January of 2014. We are writing to insist that this draft rulemaking process should not be delayed any longer. Small family-owned forest products companies need the protections afforded by the SBA set-aside program; and the Forest Service needs the small family-owned forest products companies to effectively restore and revitalize our federal forests. In some federal forests, more than 90% of the volume offered in 2013 was transacted through the Stewardship program which currently provides no protection to small business.

There is no reason that the draft rule should not be published. It is the start of a process, not the completion. All interested parties, including the ten members of the PTPG, will get a chance to respond to the proposal and to send in comments. We feel strongly that PTPG is trying to circumvent the rulemaking process itself, by arguing in advance, what they should be submitting as comments, during the public comment period set forth in the Federal Register notice.

Background:

When the Small Business Administration Act passed in 1958 it contained language directing the SBA and the Forest Service to develop a memorandum of understanding establishing a Small Business Timber Sale Set-Aside Program within the Federal Commercial Timber Sale Program. That Set-Aside program ensures small business would continue to have fair access to commercial federal timber sales by allocating allowable market shares which are recomputed every five years along with both small business and large business protections. The Set-Aside program has functioned very well for more than fifty years and has allowed both small logging



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companies and small solid wood manufacturers to co-exist with the large integrated forest product companies under the commercial timber sale program.

In 1995 and 1996, at the urging of small business purchasers, the Forest Service requested to test a Stewardship program that would allow the Forest Service to trade timber volume for service work (such as planting, thinning, recreation development, habitat improvement and road maintenance). Congress authorized a test of six pilot projects, but because the Forest Service had not developed the specific contracting or volume-tracking tools needed, the Forest Service requested these Stewardship sales be exempt from the set-aside program. The Forest Service promised to re-establish the Set-Aside program after the pilot projects proved successful and were re-authorized, to which small business interests agreed. In 2003, the stewardship program was re-authorized as a continued 10-year test. During that time, the stewardship program proved to be an overwhelming success, a success that was led, largely, by the effort of small business.

In the last eighteen years there have been many promises and commitments made by the Forest Service as well as various members of the government to include the set-aside program in stewardship contracting. In 2006, the Forest Service and Bureau of Land Management (BLM) developed the tracking processes needed to facilitate a stewardship set-aside program and went as far as publishing a draft rulemaking. The draft rulemaking was tabled by the George W. Bush Administration to the bitter disappointment of small business interests. After the rulemaking effort was tabled, small business interests continued to press the Forest Service to publish another draft rulemaking and the Forest Service led them to believe the rule would be "shortly" forthcoming. The SBA Office of Advocacy is now involved to help publish a draft rulemaking. In March of 2013, the Forest Service committed to redrafting the rule in a letter to the SBA but then delayed its release until the stewardship contracting was reauthorized by Congress under the recent Farm Bill. Additionally Secretary of Agriculture Tom Vilsack committed to Senator Max Baucus that if Congress reauthorized Stewardship Contracting that he would assure the draft rulemaking on SBA set-asides in Stewardship contracting would get published. Congress included that re-authorization in the recently signed Farm Bill.

We respectfully request that this draft rulemaking is no longer delayed and systematically moves forward to be published in the Federal Register.. PTPG's suggestion to go back to the "drawing board" is unfair to small business and an unnecessary delay for a long awaited rulemaking. Additionally, PTPG and all other interested parties will be able to submit such comments and suggestions by the very nature of the rulemaking process. With this letter we have included a point by point rebuttal addressing PTPG's concerns regarding the draft rulemaking on stewardship contracting set-aside volume.



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Kind Regards,

Blue North Forest Products - Kamiah, ID
FH Stoltze Land and Lumber - Columbia Falls, MT
Franklin Logging - Burney, CA
Freres Lumber - Lyons, OR
Pyramid Mountain Lumber - Seeley Lake, MT
Rosboro LLC - Springfield, OR
Seneca Sawmill - Eugene, OR
Sierra Forest Products - Terra Bella, CA
Sun Mountain Lumber - Deer Lodge, MT
Trinity River Lumber - Weaverville, CA
Vaagen Bros. Lumber - Colville, WA
Empire Lumber - Kamiah, ID
Tri-Pro Forest Products Oldtown, ID, Orofino, ID
WKO (High Cascade) - Carson, WA
Tricon Timber - St. Regis, MT
Herbert Lumber - Riddle, OR
Southport Lumber - Coos Bay, OR
McGreer Co. - Lewiston, ID
Ochoco Lumber Company, Prineville, OR
Four Corners Forest Products, Eager, AZ
Neiman Enterprises - Hill City, SD, Spearfish SD, Hulett, WY, and Montrose, CO
Viking Lumber, Craig, AK
Schmidbauer Lumber, Eureka, CA



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The Honorable Howard Shelanski
Administrator
Office of Information and Regulatory Affairs
Eisenhower Executive Office Building, Room 262
1650 Pennsylvania Avenue NW
Washington, DC 20503

Dear Administrator Shelanski:

As noted in our cover letter we have included a detailed point by point rebuttal to PTPG's letter dated January 13, 2014. We will now address the PTPG's concerns regarding the draft rulemaking for a stewardship contracting set-aside volume.

1. Proposed Changes to the Federal Timber Appraisal Policy

- *Current Policy:* The PTPG's understanding of appraisal points is partially correct. Prior to 1993, the Forest Service appraised to the nearest operating manufacturing facility. In 1993, their policy changed so that the appraisal point is based on a location that *could* sustain a manufacturing facility. In some instances those appraisal points were locations where a sawmill no longer exists. This pricing policy often results in unsubstantiated values.

The BLM's policy is to appraise SBA set-aside sales to the nearest operating small business qualified facility and its open (non set-aside) sales to the nearest operating manufacturing facility. This policy results in a much fairer advertised price to the potential purchasers.

- *SBA Proposed Changes:* In a March 2013 letter from the Forest Service to the SBA, the Forest Service stated they were planning to release a draft rulemaking sometime in 2013 that, among other things, would require set-aside sales to be appraised to existing small business qualified manufacturing facilities. The SBA is proposing to change the appraisal point in order to conform to the Forest Service's March 2013 comments and the BLM's existing policy for set-aside sales.

There are a variety of factors that cause a timber sale to be uneconomic, the appraisal point is the least concerning factor. The other factors considered include: the variety and size of the trees to be sold, the logging systems to be required, additional treatment costs and the time restrictions on when the logging occurs.



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- **Budget Impacts:** As mentioned, other sale attributes play a much greater role in the economic return to the government. Further, historical data shows that having more bidders results in more sale receipts. The PTPG's desire to threaten the existence of the Small Business qualified companies would have the opposite effect by reducing the number of bidders. It is counterintuitive to change policy to the advantage of 10 large business members, while threatening the continued survival of 475 small forest product companies and loggers for the alleged benefit of enhanced competition. The more companies that survive, the more competition there will be, and the higher the sale revenues and values will be.
- **Economic Impacts:** It is unknown what "taxpayer-funded subsidies" the PTPG implies here. Further, all federal timber sales follow the same process from beginning to lay-out before consideration of its set-aside status is even contemplated. The consideration of designation of a set-aside sale does not occur until several months prior to sale advertisement (long after the field work on the commercial timber sale or stewardship sale has been completed). If a Market Area is in a "triggered status" the SBA and the Forest Service or BLM work to identify sales that have gone through the five year preparation process for designation as a set-aside sale. Nothing the SBA or land management agency can do at that point is fundamentally going to change the sale economics.

Further, the entire premise of Stewardship Contracting, which was first advocated for by Small Business sawmills, is that the consensus with environmental groups would limit appeals and litigation and therefore reduce the cost of preparing the projects. Whether, such a sale is an SBA set-aside sale or an open sale makes little difference.

Having not been availed of the PTPG's analysis, it is difficult to comment on their results, therefore, we suggest you ask the Forest Service economists and others to review the study.

- **Rural Community Impacts:**
 - **Reduced funds for local law enforcement and schools:** The PTPG point on this issue has been overcome through other legislation. County payments for schools and roads are no longer derived from the sale of federal timber. Since 2000, those payments are the result of the Secure Rural Schools and Community Self Determination Act. While receipts from commercial timber sales contribute to those payments, the vast majority of the payments are funded through the US Treasury. Further, their concern is undercut by the very premise of the Stewardship Contract authority.



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The premise of Stewardship Contracting is that the federal government offers federal timber volume in exchange for service work on federal lands (such as planting, thinning, road maintenance, and the building of recreational facilities), with the stated goal of the timber value offered equaling the cost of the service work. Thus, there should not be excess timber value to the Treasury. Further, Congress does not require Stewardship Contracts to contribute to the Secure Rural School payments. Thus, whether a stewardship sale is a set-aside sale or an open stewardship sale is meaningless to the funding of the Secure Rural School and Community Self-determination Act payments.

- Forced realignment of forest industry infrastructure: The set-aside program, as directed by Congress and developed by the memorandum of understanding, is to assure small business has an opportunity to gain access to a fair share of the federal timber offered. There is no doubt that as federal timber sales have diminished and more private timber is being sold overseas the outcome has resulted in closures and realignments. But the underlying premise of protecting small business is not something the Obama Administration, or any other, should walk away from.

The SBA program was established by Congress to discourage predatory bidding by large forest product companies. In this instance, what the PTPG seems to be asking for is that the Obama Administration undertake policy changes that would aid predatory practices designed to starve the small business companies out of the stewardship-contracting program. All the while, stewardship contracting is rapidly displacing the commercial timber sale program. Therefore, providing small business protection for stewardship volume is essential for small business to survive.

- Further losses in timber/lumber jobs: The loss of jobs at large company mills (as a result of "uneconomic" timber sales or stewardship sales) are no more important than the loss of jobs at small family-owned sawmills and in small logging companies.

There is a reason Congress and every administration since 1960 have been strong advocates for the survival of small business and that is because most of the new job creation in this country is generated by small business. It is the small family-owned sawmills that have lead the equipment innovation that has resulted in increased utilization of logs that are purchased. It is the small-family owned sawmills that most heavily invest in their local communities because those owners live in their communities. Finally, it was small business that became involved with the environmental community to develop consensus-based management which ensures the stewardship program's success. To delay this rulemaking would be an affront to decades of federal government efforts to



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encourage small business.

- **Legal Concerns:**

- Forest Service OGC found current policy as legal and unbiased:

The November 13, 2007 Government Accountability Office's decision PTPG refers to did not decide on whether the Forest Service's current policy is unbiased. In that case, a group of small business purchasers protested the Forest Service's policy on appraisal points, contending they were improper in light of the Small Business Act, and the National Forest Management Act. The court refused to question Forest Service policy because they lacked jurisdiction, further they refused to decide on whether it violated the Small Business Act because the protesters had failed to cite any specific provisions of the Act. In other words, the court told the protestors that it is the Forest Service's prerogative to change appraisal policies.

- Market manipulation: It is not the small business companies that choose which sales are offered as set-aside when a market area is in a triggered status. It is the Forest Service or BLM, with the help of the SBA, who designate a set-aside area. The government should pursue policies that will maintain the greatest number of businesses in an area as possible. The policy being advocated by the PTPG would do just the opposite.

- **Forest Health/Wildfire Implications:** Eliminating or restricting the protections afforded by the SBA set-aside program would result in less people working to restore the federal forest, not more. Protecting the continued existence of the 475 small sawmills and loggers is critical to achieving accelerated restoration objectives on our National Forest lands.

2. Proposed Addition of "Stewardship" Sales to Set-Aside Program

Our members were present when the Forest Service specifically committed to establishing a stewardship set-aside program if the initial six pilot programs worked out. Big business companies were not in the room because they generally opposed the stewardship concept. The volume generated from the stewardship program while in its testing phase was not to be included in any market re-computations, however, the stewardship program is no longer in a testing phase.



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- *Computing Market Shares should be an Objective data Driven Process:* The Forest Service collects the volume sold to the various size companies, as well as the volume purchased by non-manufacturers. Thus, the data is available to compute market shares. The fact that some stewardship sales are awarded through "Best Value" methodology is of little consequence. The data show not only how much volume was awarded through the variety of types of Stewardship Contracts but also to which individual groups or companies received the stewardship volume. Finally, please keep in mind that the entire SBA Timber Sale Set-aside program from its inception through the most recent 5-year normal re-computation are founded on object driven data provided by the Forest Service and the SBA.
- *The Quality of Stewardship Project Work will Likely Decline:* Due to the nature of the commercial timber sales program there are many instances where only one company survives in a single market area, however, these single companies still provide quality stewardship project work. This is because the Forest Service and BLM manuals and handbooks direct how a timber sale is to be prepared, appraised, advertised, and operated. Similar handbooks and manuals for Stewardship sales are used to ensure consistency. To suggest the number of sawmills or loggers who might bid on a sale

somehow impacts the quality of the end results (whether commercial timber sales or stewardship sales) is contrary to the weight of the evidence.

There are over 475 small business qualified manufacturers and non-manufacturers that participate in the federal timber and stewardship programs. There are only 29 large business manufacturers and non-manufacturers that participate in these same programs. If, as we contend, the failure to add a SBA set-aside program to the stewardship program, the federal government could end up with 20+ widely spaced large business mills that will dictate price of federal timber. If more competition is good then it would be most beneficial for the federal agencies to undertake policies to support the 475 small business companies.

- *Including stewardship contracts in the set-aside timber sale program conflicts with the criteria for selecting purchasers for stewardship contracts:* Federal Regulations are the basis for the development of manual direction and handbook directions. PTPG has confused how the process works. The criterion for how a successful bidder is identified is driven by handbook. Stewardship regulations do not mandate, but merely allow the agency to use best value criteria for picking a successful bidder. Once a SBA Stewardship set-aside program is established by a federal rulemaking the agency can re-write their Stewardship handbook direction to reflect the changes.
- *Including Stewardship contracts in the set-aside timber sale program will only exacerbate the current problems with the SBA's "30% rule":* while what the PTPG



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worries about under the SBA 30% rule could happen, it is also equally possible that such market voids could be filled with small operators (either loggers or sawmills) that take advantage of the opportunity. This investment results in more jobs and more opportunities for economically disadvantaged communities.

An example of this investment includes the situation in Forest Service Region Three where both the small sawmills and large business mills were forced to shut down due to federal timber supply issues. For ten years the Forest Service begged any forest product company to invest in manufacturing facilities to help restore those forests. It was a small business (Vaagen Brothers) that was willing to invest in reopening a sawmill in Eager, Arizona. It was also a small business that built the pellet mill in eastern Arizona to utilize the material from the large fire salvage contracts in the area. Another example is occurring in Clarkston, Washington where Bennett Lumber is re-opening a mothballed sawmill to take advantage of changed market conditions. The small business companies have shown they are willing to risk and invest in new facilities where market voids have developed.

The 30% SBA rule is sometimes difficult for loggers to deal with, but some have overcome this problem by purchasing a closed down mill, such as Franklin Logging did in Burney, California. That community is better off because of the new jobs created and the company's community involvement. The SBA set-aside program played a critical role in allowing those investments to be made.

Conclusion

Our point by point response is intended to help you better understand the federal government's responsibility to help protect small business and explain why the existing SBA set-aside program is so important to our members.

We hope you will also understand why extending those set-aside protections to the stewardship contracting program is needed. Further, we remind you that the Forest Service has committed to undertaking the draft rulemaking and also Secretary Vilsack committed to Senator Baucus and others to publish the draft rulemaking once the stewardship program was re-authorized. The stewardship program was in fact re-authorized in the recent Farm Bill, now it is time for the Forest Service and the Department of Agriculture to meet their commitments to small business.

Since the SBA has published similar rules for their code of federal regulations in the past we encourage you to see this effort completed as quickly as possible. That agency should not be penalized, or have their effort slowed down, because the Forest Service has been so slow in its efforts.



Timber Products Manufacturers
— A S S O C I A T I O N —

*Serving the wood products industry by providing
profitable and valuable business solutions.*

Finally, we implore you to recognize the legitimate responsibility for the Small Business Administration to protect small business. We believe the PTPG's letter to you is an attempt to keep this Administration from providing the much needed support the small family-owned forest product companies both need and deserve by interfering with the standard rulemaking process

Best Regards;

Blue North Forest Products - Kamiah, ID
FH Stoltze Land and Lumber - Columbia Falls, MT
Franklin Logging - Burney, CA
Freres Lumber - Lyons, OR
Pyramid Mountain Lumber - Seeley Lake, MT
Rosboro LLC - Springfield, OR
Seneca Sawmill - Eugene, OR
Sierra Forest Products - Terra Bella, CA
Sun Mountain Lumber - Deer Lodge, MT
Trinity River Lumber - Weaverville, CA
Vaagen Bros. Lumber - Colville, WA
Empire Lumber - Kamiah, ID
Tri-Pro Forest Products Oldtown, ID, Orofino, ID
WKO (High Cascade) - Carson, WA
Tricon Timber - St. Regis, MT
Herbert Lumber - Riddle, OR
Southport Lumber - Coos Bay, OR
McGreer Co. - Lewiston, ID
Ochoco Lumber Company, Prineville, OR
Four Corners Forest Products, Eager, AZ
Neiman Enterprises - Hill City, SD, Spearfish SD, Hulett, WY, and Montrose, CO
Viking Lumber, Craig, AK
Schmidbauer Lumber, Eureka, CA

